



Final Minutes
Endowment Fund Investment Board
Regular Board Meeting
May 15, 2018

A regular meeting of the Endowment Fund Investment Board ("Board") was held in the Conference Room at 816 W. Bannock Street, Ste. 301, Boise, Idaho, May 15, 2018. Chairman M. Dean Buffington called the meeting to order at 10:00 a.m. and recognized that a quorum was present. Prior to commencement of the meeting, the Endowment Fund Investment Board presented its semi-annual report to the Idaho Board of Land Commissioners.

Member's Present:

Dean Buffington
Jerry Aldape
Representative Anderson
Warren Bakes
Gavin Gee
Irv Littman
Gary Mahn
Senator Winder (*departed at 1:35pm*)

Member's Absent:

Richelle Sugiyama

Staff Present:

Chris Anton
Chris Halvorson
Michelle Watts
Liz Wieneke

Legal Counsel:

Julie Weaver, Deputy Attorney General

Guests:

Janet Becker-Wold, Callan
David Groeschl, IDL
Kari Kostka, IDL
Donna Caldwell, IDL
Josie Lewis, Sands Capital Management
Michael Raab, Sands Capital Management

Hard copies of board materials were mailed and delivered 7 days prior to the scheduled board meeting and a meeting notice was posted on the door of the EFIB office beginning May 7, 2018.

Board Meeting Minutes:

Mr. Aldape moved that the minutes of the special meeting held on March 12, 2018 be approved as submitted. The motion was seconded by Mr. Littman and approved unanimously.

Investment Performance Review (Janet Becker-Wold, Callan)

The Endowment Fund posted gains of 0.18% and 11.80% for the quarter and twelve months ended March 31, 2018, respectively, which are 0.89% and 1.34% above the benchmark. The fund ranked 13th and 15th percentile for the quarter and twelve months ended March 31, 2018 when compared to the Callan Public Fund Sponsor Database.

The State Insurance Fund posted a loss of 0.89% and gain of 2.55% for the quarter and twelve months ended March 31, 2018, respectively, which are 0.02% and 0.14% above the benchmark.

Fixed Income Investment Strategy * (Janet Becker-Wold, Callan)

Ms. Becker-Wold provided the Board with an overview of the current fixed income strategy and an evaluation of the pros and cons of having a portion of the fixed income allocation actively managed with either a core or core plus strategy. She indicated that the portfolio has taken on more interest rate risk as the duration of the Bloomberg Aggregate Index has migrated from 4 to over 6 years. She indicated that in many historical periods with rising interest rates, actively managed core plus strategies have fared better than the Bloomberg Aggregate Index. While core plus strategies typically assume more credit risk, they have often generated positive absolute returns when spreads widen.

Mr. Aldape moved to change the fixed income allocation to 14% Bloomberg Aggregate, 8% core plus and 4% TIPs. The motion was seconded by Mr. Littman and approved unanimously.

The staff was asked to work with Callan to define the guidelines for the core plus strategy and begin the manager selection process.

Idaho Department of Lands Update (David Groeschl)

Mr. David Groeschl, Acting Director of the Idaho Department of Lands ("IDL"), discussed IDL's operations, key initiatives and the management of Idaho's endowment assets.

Callan Asset Allocation and Distribution Study Update (Janet Becker-Wold, Callan)

Ms. Becker-Wold informed the Board that Callan presented the Asset Allocation and Distribution Study to the Idaho Board of Land Commissioners on April 17, 2018. The recommendations will be reviewed by the Investment Subcommittee and presented to the Idaho Board of Land Commissioners later this summer.

Approve the Capitol Permanent Fund FY2019 Distribution* (Chris Anton and Michelle Watts)

Ms. Watts presented the Capitol Permanent Endowment Fund distribution recommendation. The staff recommended a distribution of \$1,406,000 in FY2019, which is consistent with the 5% distribution policy.

Mr. Aldape moved approval of a distribution of \$1,406,000 from the Capitol Permanent Fund to the Maintenance Reserve Fund on July 1, 2018. The motion was seconded by Mr. Littman and approved unanimously.

Update on Land Board Distribution Policy (Chris Anton)

The Land Board approved the Board's recommendation to increase in the earnings reserve levels from 5 to 6 years for Public Schools and from 5 to 7 years for Charitable Institutions and make permanent the temporary increases to 7 years for Normal School and State Hospital South. The earnings reserve levels for all other endowments are to remain the same at 7 years.

Review Beneficiary Distribution Calculation Methodology (Chris Anton)

Mr. Anton presented an overview of the Beneficiary Distribution Calculation Methodology.

Review Preliminary Estimate of FY2020 Beneficiary Distributions (Chris Anton)

Mr. Anton presented a preliminary estimate of FY2020 beneficiary distributions.

Representative Anderson asked if population growth is considered in the beneficiary distribution calculation. Mr. Anton indicated that population growth isn't considered in the gain benchmark calculation and there are no statutes or constitutional provisions that require distributions and the permanent corpus to grow at a rate faster than both inflation and population growth. It is, however, an objective to grow distributions and the permanent corpus at a rate faster than both inflation and population growth. Mr. Anton indicated that this objective is part of our strategic plan and we report on our performance annually. Mr. Anton indicated that he would review this matter with Ms. Weaver and provide the Board with an update at the next meeting.

Review draft of EFIB's Strategic Plan (Chris Anton)

The Board reviewed and discussed the Strategic Plan and provided feedback.

Summary of Compensation Committee Actions

Mr. Anton outlined the Employee Compensation Plan for FY2019 as submitted by the Compensation Committee.

EFIB Staff Reports

Mr. Anton presented the financial update.

Mr. Anton provided an update on legislation.

Mr. Anton presented the gift log.

Mr. Anton presented upcoming issues.

Adjournment

There being no further business to come before the Board, Mr. Aldape moved to adjourn, which was seconded by Representative Anderson and passed unanimously.

The meeting adjourned at 1:42 p.m.